

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE IMPLEMENTATION BY THE UNION	)	
LIGHT, HEAT AND POWER COMPANY	)	CASE NO. 10078
OF EXPERIMENTAL GAS TARIFFS	)	

O R D E R

On April 18, 1986, the Commission issued its Order in Case No. 9371, The Implementation by the Union Light, Heat and Power Company of Experimental Gas Tariffs, granting the Union Light, Heat and Power Company ("ULH&P") the authority to implement a competitive fuel service tariff, Rate CF. Rate CF was established to provide transportation service to customers with alternative fuel capability for which ULH&P had purchased spot-market gas. It was to be effective for 1 year on an experimental basis.

On October 29, 1987, ULH&P applied for authority to continue operation of the CF tariff until September 30, 1988. ULH&P proposed some modifications to the tariff, including revision of the periodic volume nomination schedule to a monthly basis and specifying that the gas cost will be tied to the source of supply in such a way that it will not detrimentally impact ULH&P's firm customers. On October 30, 1987, an informal conference was held at the Commission's offices. ULH&P explained at this meeting the application of pricing under rate CF to assure that it would not detrimentally impact firm customers.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

1. ULH&P's assertion that the current nomination schedule of 5 and 7 months is impractical for end-users appears reasonable. ULH&P should be allowed to revise the CF tariff to stipulate monthly nominations.

2. Due to the expiration of the Columbia Gas Transmission Fraud and Abuse Settlement, ULH&P will require the majority of its allocated capacity on Columbia Gulf Transmission Corporation's pipeline, especially during the heating season. With limited capacity for less expensive producer gas, customers requesting agency service under the CF tariff may be confined to system supply purchased from the Columbia transmission system since the cheapest supply of gas must go to firm customers first. The tariff revision specifying that the price per Mcf of the gas shall be the price of gas purchased on the customer's behalf, which in no case would be detrimental to sales service customers, is reasonable and should be allowed. The proposed tariff language in the Net Monthly Bill section should be modified, however, to clearly set out the basis of the pricing mechanism in computing the charge per Mcf and to reaffirm that the cheapest spot gas will still go to system supply.

3. Rate TS and proposed Rate CF both provide interruptible transportation for customers that have purchased gas from another source and have alternate fuel capabilities. In order to comply with the Order issued in Administrative Case No. 297, An Investigation of the Impact of Federal Policy on Natural Gas to

Kentucky Consumers and Suppliers, however, ULH&P should modify Rate TS to eliminate the alternate fuel requirement for availability.

4. With Rate TS available to any customer for interruptible transportation with special pricing provisions applicable to those with alternate fuel capability, reference to transportation for customers that purchase gas from another source should be deleted from the Applicability section of Rate CF.

5. ULH&P should continue to file monthly reports with the Commission concerning the operation of Rate TS, including customers for whom transportation rates are flexed, volumes delivered to each customer per month and the flex rate for each customer. ULH&P should also continue filing monthly reports concerning Rate CF, including participating customers, their alternate fuels and prices per mmbtu, volumes nominated, price per Mcf and per mmbtu, agency fees billed and transportation fees and revenues. At the end of each quarter, the CF report should include an estimate of the costs to provide this service.

IT IS THEREFORE ORDERED that:

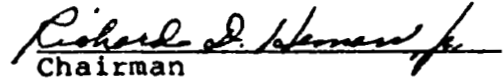
1. The tariff revisions proposed by ULH&P be and they hereby are approved contingent upon ULH&P filing the modifications specified herein, subject to the Commission's approval.

2. The revised tariff shall be effective 30 days from the date of this Order, contingent on the filing of a modified TS tariff and acceptable revisions to the CF tariff within that period of time.

3. ULH&P should continue filing its monthly CP and TS tariff reports.

Done at Frankfort, Kentucky, this 27th day of January, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director